

BUDGET LETTER

SUBJECT: EMPLOYEE COMPENSATION REDUCTIONS – CONTROL SECTION 3.90	NUMBER: 11-28
REFERENCES: VARIOUS, SEE ATTACHMENTS	DATE ISSUED: September 20, 2011
	SUPERSEDES:

TO: Agency Secretaries
Departmental Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.

Deadlines and Deliverables

October 11, 2011	Control Section (CS) 3.90 attachments and any supporting documentation to your Department of Finance (Finance) budget analyst.
-------------------------	---

I. Background

The state has current Memoranda of Understanding (MOUs) with all 21 collective bargaining units (BU). See Attachment 2 for a list of the 21 BUs. This BL addresses the distribution of 2011-12 CS 3.90 budget reductions that correspond to provisions of approved collective bargaining MOUs for represented employees and for employees excluded from collective bargaining as approved by the Department of Personnel Administration (DPA). It also includes background information and instructions for departments to calculate and schedule current year and budget year reductions.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, or State Active Duty personnel of the Military Department.

II. Employee Compensation Adjustments

A. Treatment of Budget Documents

See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations [Schedule 10s], and the Governor's Budget (Detail of Appropriations and Adjustments, Changes in Authorized Positions, and Expenditures by Category)).

B. Instructions

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Finance budget analysts no later than **Tuesday, October 11, 2011**. The information is necessary to calculate and schedule budget reductions needed to process a Budget Executive Order to reduce departmental budget appropriations as authorized by

CS 3.90. Refer to the following attachments to determine and prepare applicable departmental adjustments:

- Attachment 1 **Summary Sheet**
- Attachment 2 **List of Bargaining Units**
- Attachment 3 **List of Reductions**
- Attachment 3a **Personal Leave Program Exclusions**
- Attachment 3b **BU 6 Detail**
- Attachment 4 **Miscellaneous and Special Salary Adjustments**
- Attachment 5 **Interagency Agreement Worksheet**
- Attachment 6 **Scheduling Worksheet**
- Attachment 7 **Planning Estimate Worksheet**
- Attachment 8 **Crossties**

To make applicable budget reductions, departments must complete and submit Attachments 1, 4, 5 (as appropriate), 6, 7, and 8 to their respective Finance budget analyst.

Electronic links have been added to some of the attachments to assist departments in completing them. Worksheets have been locked except for cells requiring data input to prevent inadvertent formula changes. If additional rows are necessary in Attachment 4, be sure to maintain formulas and totals. The totals on Attachments 4, 5, and 7 roll into the Summary Sheet (Attachment 1) as appropriate. **Only adjustments 5 and 6 (PO/FF II eliminations) are applicable in 2012-13.**

C. Interagency Agreements

Contracting departments requesting reductions for the employee compensation adjustments associated with decreased costs of interagency agreements must coordinate with the reimbursed department in order to correctly complete Attachment 5. Attachment 5 must be completed by the department that funds the interagency agreement (contracting department). Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be identified for an adjustment on Attachment 3 of this BL.
- The reimbursed department must incur lower costs as a result of the employee compensation and benefit adjustments approved by DPA and identified in this BL. Departments are required to calculate and enter these amounts on Attachment 5. These adjustments should be calculated by the reimbursed department as part of their CS 3.90 adjustments and the amount entered as reimbursements. The contracting department must enter the amount as General Fund, special funds, or nongovernmental cost funds as appropriate on Attachment 5.
- Any interagency agreement included on Attachment 5 must be amended by the affected departments to reflect the corresponding funding reduction.
- For each individual interagency agreement, the total adjustment must be at least **-\$10,000** to be eligible for inclusion on Attachment 5.

D. Miscellaneous and Special Salary Adjustments

Attachment 3 lists salary and benefit reductions applicable in the 2011-12 fiscal year. DPA has transmitted specific classification and pay adjustment data to departments through pay letters identifying applicable reductions. A listing of these pay letters and associated salary and benefit

reductions can be found on Attachment 3. These reductions are primarily related to the Personal Leave Program and must include salary and salary-driven benefit reductions. **For the 2011-12 salary base, departments should use the current year (2011-12) of the 2012-13 7A.**

While the pay letters and instructions on Attachment 3 provide guidance regarding the reductions, departments may review the terms of MOUs for additional clarification.

E. Salary-Driven Payroll Benefits – State Employer Cost

The salary-driven benefit reductions should be calculated using the following assumptions:

- OASDI (Social Security) - 6.2 percent of total salary, being reduced, up to the \$106,800 cap (for each position covered by OASDI) for 2011 and \$110,700 for 2012 (see BL 11-23, Attachment 1).
- Medicare - 1.45 percent of total salary (no cap).
- Retirement - departments must use the 2011-12 retirement rates as reflected in CS 3.60. This information will be used in completing Attachment 4 and rolls into Attachment 1. Employees in the Alternate Retirement Program should be considered Tier 1 when calculating the contribution rate for this BL.

III. Due Dates

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance budget analyst as soon as possible, but no later than **Tuesday, October 11, 2011.**

IV. Questions

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or DPA.
- Questions related to the treatment of budget documents should be directed to your Finance budget analyst.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Keith Nezaam or Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Richard Gillihan for

Diana L. Ducay
Program Budget Manager

Attachments

TREATMENT OF BUDGET DOCUMENTS

A. Planning Estimates (PE)

Employee Compensation Reductions – Post the salary, staff benefit, and interagency agreement adjustment totals from Attachment 7 to PE lines 0110, 0120, and 0700, respectively, for each item of appropriation for both current and budget years (as appropriate).

B. Schedule 10s

The current year Schedule 10s must reflect employee compensation reductions as posted on Attachment 6. Using the Schedule 10s, a Budget Executive Order will be issued to adjust departmental appropriations. Be sure that adjustments posted on Schedule 10s are accurate and tie to the applicable attachments. Any errors or omissions on the Schedule 10s will post to departmental accounting records. The following example is provided as a guideline:

Example:

Adjustment per Section 3.90:

Program A ^{a/}	-\$XXX
Program B ^{a/}	-\$XXX
Reimbursements ^{b/}	<u>\$XXX</u>
Total	-\$XXX

a Amounts adjusted, including Reimbursements.

b Amounts paid from other departments (Reimbursements).

In addition, departments are to include applicable 2012-13 reductions on their budget year Schedule 10 initial authorized/expenditure totals.

C. Detail of Appropriation and Adjustments

For current year, the automated Detail of Appropriation and Adjustments will display the adjustments on the line entitled "Adjustment per Section 3.90" based on the adjustments posted on the department's Schedule 10s.

D. Changes in Authorized Positions (Schedule 2)

Departments must **NOT** post anything to the Changes in Authorized Positions because the only salary change (Personal Leave Program) will already be included in the Schedule 7A.

E. Expenditures by Category:

Contracting agencies should include their interagency agreement totals (Attachment 5) as Operating Expenses and Equipment on the Expenditures by Category. Reimbursed departments should include this total as only benefits in the Expenditures by Category. Departments must post benefit reductions reflected on Attachment 4 for the current year and budget year to only the benefits portion of the Expenditures by Category.

F. Tie Points

The following information must tie to each other in the current year (2011-12):

- Attachment 1: Current Year Total
- Attachment 1: Fund Split Total
- Attachment 6: Total Employee Compensation Adjustment, All Funds (whole dollars)
- Attachment 7: Total Adjustment, All Funds
- Attachment 7: Fund Classification, Total

The same information must tie in the budget year (2012-13).

Additionally, all crossties provided on Attachment 8 must reflect "0" for both current and budget year.